Parliamentary Assembly
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Resolution 2265 (2019)[1]

Promoting democracy by developing market economy: does the EBRD model work?

Parliamentary Assembly

1. Four years after its last debate on the activities of the European Bank for Reconstruction and Development (EBRD) and twenty-six years after an exchange of letters between its President and the President of the EBRD, the Parliamentary Assembly wishes to assess co-operation between the EBRD and the Council of Europe. This co-operation is based also on the co-operation agreement signed with the Secretary General of the Council of Europe and on the Memorandum of Understanding signed with the Council of Europe Development Bank.

2. The EBRD was founded in 1991 in response to the fall of the Iron Curtain "to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in … countries committed to and applying the principles of multiparty democracy, pluralism and market economics". It has been considered unique as a financial institution for its explicit commitment to promoting democracy as well as open markets in the economies in which it invests.

3. In the co-operation agreement concluded between the Council of Europe and the EBRD in 1992, the two organisations agreed to exchange information, particularly regarding the monitoring and assessment of the development of democracy in central and eastern Europe. The Assembly supports the activities of the EBRD by providing parliamentary oversight of the EBRD's operations from a political point of view.

4. Over the past twenty-eight years, the success of the EBRD's investments in transitioning economies has seen demand for its expertise grow far beyond central and eastern Europe. The EBRD has gradually expanded its region of operations to the economies of central Asia, Mongolia, Turkey, the southern and eastern Mediterranean (SEMED) region, Cyprus, Greece and most recently the West Bank and Gaza. It is now active in almost 40 countries.

5. The Assembly welcomes the ongoing direct and indirect co-operation between the EBRD and the Council of Europe Development Bank and encourages both institutions to pursue such co-operation. It also welcomes the regular co-operation between itself and the EBRD, while noting that there is still room for improvement.

6. The Assembly notes with interest that in 2016, the EBRD updated its transition measures that clarified how it would fulfil its mission of developing market economies. The new, more holistic transition concept requires that a well-functioning market economy be competitive, but also inclusive, well-governed, environmentally friendly, resilient and integrated, recognising that there is more to transition than purely building markets and the private sector.

7. The EBRD invests in countries that show little commitment to the principles of multiparty democracy and pluralism, considering that long-term convergence between economic and political reform is inevitable. Today, it has a great deal of information and experience concerning these countries, but no conclusions on whether this really is the case. Already in 2013, the EBRD stated that "the international development

1. *Text adopted by the Standing Committee*, acting on behalf of the Assembly, on 1 March 2019 (see Doc. 14827, report of the Committee on Political Affairs and Democracy, rapporteur: Mr Hendrik Daems).

community will have to exercise patience and persistence in supporting long-term transition objectives and the underlying institutions that are most conducive to achieving them". The questions of exactly how patient the international community must be, and just how long the "long term" is, remain to be answered.

8. In particular, it is not yet clear whether, and, if yes, to what extent, the EBRD's activities to develop market economies in its countries of operations have had an impact on promoting democracy. In this respect the Assembly encourages the EBRD to carry out further research on the possible links between its investments and the democratic evolution in its countries of operations and to make available the results of such research.

9. The Assembly welcomes the improvement in the depth and frequency of EBRD publications. It notes, however, that there is room for improvement as the EBRD still does not provide certain information publicly, in particular performance-related information. Such information would allow a better assessment of the impact of investments on the progress of democracy.

10. The Assembly notes that, out of the eight countries which were expected to "graduate" by 2010, only one has done so, and that subsequent deadlines were also not respected. It calls on the EBRD to clarify its policy with regard to graduation, the precise criteria being applied and what is currently preventing countries from meeting them and from graduating.

11. The Parliamentary Assembly resolves to continue its oversight of the EBRD in terms of political added value and to make a new political assessment of its activities when appropriate.